

Message Text

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SUBJ ECONOMIC FORECASTING

REFS A) STATE 95313 B) OTTAWA 320

1. FIGURES RELEASED BY STATISTICS CANADA ON APRIL 23 SHOW 0.7 PERCENT RISE IN SEASONALLY-ADJUSTED INDEX OF INDUSTRIAL PRODUCTION IN FEBRUARY (FROM 210.0 IN JANUARY TO 211.5 WITH 1961 AS BASE YEAR OF 100). EXCEPT FOR SLIGHT UPWARD REVISION LAST JUNE, THIS WAS FIRST INCREASE SINCE MARCH 1974, WHEN INDEX WAS AT 225.4 (FOR 1973 INDEX WAS 214.8).

2. STATCAN ATTRIBUTED RISE TO INCREASED MOTOR VEHICLE AND OTHER DURABLES (RADIOS, TV'S, VENEER AND PLYWOOD) PRODUCTION.

3. IN PARA 9 REFTEL B, EMBASSY SUGGESTED THAT INDEX WOULD BE BETWEEN 214 AND 217 FOR FIRST SIX MONTHS OF 1975, BUT DID NOT ATTEMPT MAKE PREDICTIONS FOR ENTIRE YEAR DUE UNCERTAINTIES OF: 1) FURTHER INTENSIFICATION OF INDUSTRIAL DISPUTES, 2) EXPECTED TRADE DEFICITS, AND 3) POSSIBLE DECLINE IN MINERAL EXPLORATION AND DEVELOPMENT.

4. ABOVE UNCERTAINTIES ARE INTENSIFIED BY FAILURE OF FEDERAL/PROVINCIAL AUTHORITIES TO REACH AGREEMENT ON OIL PRICES AND INTENTION OF MINFIN TURNER BRING DOWN NEW BUDGET (PROBABLY MORE EXPANSIONARY THAN THAT OF LAST NOVEMBER) IN MAY.

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5. MOST ANALYSTS PREDICT CANADIAN ECONOMY WILL TURN AROUND IN LATTER HALF OF 1975 BUT ARE DIVIDED AS TO ACTUAL REAL GROWTH FOR YEAR. CONFERENCE BOARD, FOR EXAMPLE, IS NOW FORECASTING NO REAL ANNUAL GROWTH BUT EXPECTS SOME GROWTH IN LATTER SIX MONTHS. SOME BANKS AND FINANCIAL INSTITUTIONS PREDICT 0 TO 3 PERCENT REAL GNP GROWTH FOR YEAR.

6. DURING PAST FEW MONTHS FINMIN TURNER HAS REFUSED TO GIVE ANY PRECISE FORECASTS ON GROWTH, INFLATION OR UNEMPLOYMENT FOR 1975. IN APRIL 14 TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE, TRADE AND ECONOMIC AFFAIRS, TURNER STRESSED HIS DIFFICULTIES IN MAKING FORECASTS AND STATED THAT THE THRUST OF HIS MAY BUDGET WOULD DEPEND UPON: 1) NATURE AND EXTENT OF U.S. FISCAL AND ENERGY POLICIES, 2) DEVELOPMENT OF CANADIAN OIL AND GAS PRICING POLICY, AND 3) RESULTS OF GOC EFFORTS TO OBTAIN "COMMON CONSENSUS" ON WAGE AND PRICE RESTRAINT.

7. SINCE PREVIOUSLY CITED ECONOMIC UNCERTAINTIES REMAIN AND DIMENSION OF NEW GOC FISCAL STIMULUS STILL UNKNOWN, EMBASSY SUGGESTS NEW FORECASTS FOR CANADIAN INDUSTRIAL PRODUCTION INDEX THROUGH MID-1976 ARE PREMATURE.
JOHNSON

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